

## **Testimony for Banking Subcommittee on Economic Policy**

Senator Cotton, Ranking Member Cortez Masto, thank you for holding this timely hearing and for inviting me to testify today.

As a former CIA officer and a member of Congress on the House Permanent Select Committee on Intelligence, I've seen how the Chinese government threatens global supply chains, steals American intellectual property and economically bullies smaller countries. 2020 brought this reality to every American household.

We in Congress were the first to recognize the potential for China to replace the United States as the most important economy in the world. Investigations into China's Thousand Talent program and its Belt and Road program initiated in Congress. Congress has long led the fight for human rights in China, first by focusing attention on what China is doing in Tibet, and then by raising concerns about China's horrific treatment of its Muslim Turkic population.

I am trained to look beyond the obvious and it has been clear to me for a long time that China is playing a long game to become the sole world hegemon. It is past time for the United States to put in place a comprehensive strategy of dealing with China.

I am not suggesting a containment strategy like how we contained the Soviet Union because our interdependence with China is so much greater.

We know what does not work. As we look at the history of the U.S. and China relationship, we have a clear picture of actions which failed to produce the desired results. Economic interdependence with China and encouraging China to become part of the global economic structure did not create a genuine market economy nor reform China's political system. This administration's aggressive use of the sanction policy also

failed to change the behavior of Chinese communists and made them more entrenched and threatening towards their neighbors.

Instead, the first step is for all branches of government, the private sector and academia to accept that China, despite its trappings of a capitalist system, like the Shanghai Stock Exchange, is an authoritarian society which is ruled by an unreformed Communist Party. The CCP does not tolerate dissent, imprisons dissidents, and builds concentration camps for those it wants to “reform”. These actions need to be met with a foreign policy and national security strategy where one of its planks is based on a simple principle: Be nice with nice guys and tough with tough guys.

The second step is to define clear goals – what do we want our competition to achieve? During the Cold War, the objective was to contain and possibly reduce Soviet influence, not a regime change.

Right now, the U.S. is an underdog in this global competition because we dismantled our Cold War apparatus that fought the Soviets on the airwaves, in the media, and in institutions of higher learning. In this case, we also have a sophisticated technological adversary which has already made significant inroads in our free, open and democratic society in a way the Soviets never did.

We do have leverage because our economy is the largest market for Chinese made goods. Congress and the new administration must focus on trade policies that incentivize structural changes in China’s economy and its treatment of foreign companies and investors.

Simply, we need reciprocity. If American companies and investors are unable to do something in China, then Chinese companies and investors should be unable to do those same things here.

Our second weapon is the American people – they don't want to buy products made by slave labor or watch movies produced in Chinese provinces which engage in horrific behavior towards its citizens. And while I oppose cutting off academic and other ties with Chinese people because I believe that Chinese students and academics studying and teaching here can see for themselves the benefits of living in a free society, we need to institutionalize screening of such visa applicants to weed out those with connections to the CCP and PLA.

Every American voter should care about this struggle because we face a potential future where Mandarin and the yuan, not English and the dollar, dominate the global economy. Whoever wins this generation-defining struggle will not just affect our economy but will shape the rest of the century for the entire world.

Thank you again for having me at today's hearing, and I look forward to your questions.

## QUESTIONS AND ANSWERS

### How can we fight Chinese government disinformation?

- Until recently, the United States did not realize (or at least did not act as if it does) that it is in global competition with China, not unlike the Cold War with the Soviets, but much more sophisticated due to technological advances. Previously, tensions with China were largely viewed through an economic prism, but now misinformation has come forward as another major issue with the battle for tech, AI and cyber.
- A second lesson from the cybersecurity domain is we should be partnering with our allies more. Chinese Communist Party's tactics, techniques, and procedures (TTPs) in information operations could be used against our allies before us. We should have a better understanding of what is happening across the globe so we can plan our countermeasures appropriately.
- As a former intelligence officer, I can attest that misinformation is a powerful tool and it is cheap to use. Authoritarian societies are better at using misinformation because they lack internal checks and balances to call out their lies. Their populations are cowed and those who dare to question the government are met with harsh reprisals. Earlier this year, I called out China for lack of transparency on dealing with COVID before the WHO organization even acknowledged that it is a pandemic.

### How can we ensure that students China sends here are not spies?

- The fact that bright Chinese students want to study, live and build things in the United States is a **strategic advantage** and a testament to the superiority of a free society and free enterprise, so the U.S. must remain a welcoming place for the best and the brightest to come and study, to do research, and to work
- And the overwhelming majority of students coming from China are not here at the bidding of the CCP. In order to do this, we must have better tools to uncover bad actors and those who wish to exploit our society for illicit activities. Our consular officers on the front lines who are interviewing visa applicants for research, study, or work, must be trained to look for such activity. The dual technology list, which is maintained by the Department of Commerce must be kept current to keep up with the changing technology and its potential for dual usage
- Our institutions of higher learning must be educated about the CCP recruitment of scientists and students; they must resist any efforts of the CCP to stifle the freedom of speech, the criticism of CCP, and information sharing about the egregious human rights abuses in China.

## **China Trade Reciprocity Framework Key Points**

- If an American company can't do it in China, then a Chinese company should not be able to do it here.
- That's why I'm looking at several potential policy options to force China to change their behavior, including:
  - Imposing restrictions on Chinese firms operating in the U.S. service sector.
    - Mechanism: Restricting or denying service sector access authorizations, which are licenses or permits foreign service firms need to operate in the U.S.
  - Punishing China for targeting American firms by:
    - Sanctioning the Chinese officials responsible for these practices; and
    - Sanctioning Chinese firms involved or complicit in these practices.
  - Strengthening CFIUS to ensure that any companies with significant direct or indirect ties to China must go through a national security review.
- These actions are not meant to be permanent or to close our economy to the world. Our goal should be to incentivize China to change its behavior without harming American consumers.

## ARTICLES

### **U.S. targets only one percent of Chinese students over security-White House official**

[Reuters](#) 9/30/2020

The United States is targeting only about one percent of the 400,000 Chinese students in the United States over China's bid to gather U.S. technology and other information, a top White House said official said on Wednesday.

Matt Pottinger, the deputy White House national security adviser who has been a leading figure in the development of President Donald Trump's China policy, said the vast majority of Chinese students were welcome.

"It's a surgical approach," Pottinger said in a online event hosted by the Ronald Reagan Institute, referring to the administration's policy of denying student visas to Chinese nationals it considers a security risk.

"President Trump has taken action to target roughly one percent of that massive number, to target military-affiliated Chinese researchers who are in some cases here under false pretenses or even false identities," he said.

Other cases involve individuals who have come to the United States to gain access to "technologies that would be useful to Chinese military advancement or to the repression of their own people," he added.

Pottinger said the overwhelming majority of Chinese students were "people that we're glad to have here, and many will stay here and start great businesses."

The U.S. action against Chinese students has come at a time when China-U.S. relations have sunk to the lowest point in decades in the run-up to Trump's Nov. 3 re-election bid. The world's two biggest economies have clashed over issues ranging from trade and human rights to Hong Kong and the coronavirus.

The U.S. State Department said this month the United States had revoked visas of more than 1,000 Chinese students and researchers deemed security risks. China called this a violation of human rights.

Washington said the action followed a May 29 proclamation by Trump in response to China's curbs on democracy in Hong Kong.

The large number of Chinese students studying in the United States bring significant revenue to U.S. universities, although the COVID-19 pandemic severely disrupted returns to campus this fall.

# House Republicans Move to Cripple China's Growing Military

[Washington Free Beacon](#) 9/30/2020

The Congressional China Task Force unveiled a legislative proposal Wednesday to cripple China's military industrial base by blacklisting any company tied to Chinese armed forces.

After months of closed-door interviews with policymakers, experts, and military officials, the task force presented multiple proposals, including a boycott of companies known to aid China's military. The goal is to economically isolate the People's Liberation Army (PLA), one of the primary instruments of China's expanding influence.

The report also calls for major increases to the U.S. defense budget to "modernize our nuclear triad and conventional weapons, [and] develop cutting-edge capabilities to counter China in space and cyberspace," Rep. Liz Cheney (R., Wyo.), the China Task Force's deputy chair, told the Washington Free Beacon.

Lawmakers and congressional sources told the Free Beacon the task force's findings should serve as a wake-up call for the American public about the pressing threat China poses.

The report includes nearly 200 legislative proposals that officials hope will undermine China's growing military and ensure the United States has the resources for any potential conflict. The task force, which Congressional Democrats boycotted and labeled a "distraction," hopes the report will serve as a template for GOP leaders as they push a range of policies meant to undermine China.

Rep. Michael McCaul (R., Texas), the China Task Force's lead member, said financial blacklists would force American companies to divest from China's military and its supporting industries.

"We shouldn't be using our capital to support companies that are building weapons aimed at the United States," McCaul told the Free Beacon. "As an investor, is it a good long-term strategy to invest in these types of companies when they have a very high potential to come under U.S. government sanctions in the future?"

Along with the blacklists, GOP lawmakers are also considering a proposal to require any companies tied to China's military sector to divest.

The recommendations are meant to identify and address Beijing's fusion of military, business, and politics, according to a senior congressional aide who worked on the report.

China currently boasts the largest navy in the world, rapidly expanded amphibious capacity, and significant leaps in its space and communications technologies. These developments point toward Chinese leader Xi Jinping's ultimate goal—replacing the United States as the world's foremost military, economic, and technological power by 2049.

The task force report contains a comprehensive list of key military investments the United States must make to maintain its edge over China, including defense budget growth of at least of 3-5 percent each year. Congressional leaders also say the United States must forward deploy troops in the Indo-Pacific region and partner with allies to help push back Communist forces.